

Joint Venture of:



Arif Habib

**Metal One**

UNIVERSAL METAL CORPORATION



# Striving to LEAD

The Steel Industry

**Aisha Steel**

Quarterly Report  
September 30, 2015



# Contents

04 Company Information  
05 Directors' Review Report

## Company Overview

09 Balance Sheet  
10 Profit and Loss Account  
11 Cash Flow Statement  
12 Statements of Changes in Equity  
13 Notes to the Financial Statements

## Financial Statements



# Company Information

## Board of Directors

Mr. Arif Habib, Chairman  
 Mr. Shinpei Asada  
 Mr. Hasib Rehman  
 Mr. Nasim Beg  
 Mr. Kashif A.Habib  
 Mr. Muhammad Ejaz  
 Mr. Ahsan Ashraf  
 Mr. Kamran Ali Kazim  
 Dr. Munir Ahmed, Chief Executive Officer

## Audit Committee

Mr. Kashif A.Habib - Chairman  
 Mr. Hasib Rehman - Member  
 Mr. Nasim Beg - Member  
 Mr. Kamran Ali Kazim - Member

## Registered Address

Arif Habib Centre, 23 - M.T. Khan Road,  
 Karachi – Pakistan.  
 website: [www.aishasteel.com](http://www.aishasteel.com)

## Plant Address

DSU - 45, Pakistan Steel  
 Down Stream Industrial Estate,  
 Bin Qasim, Karachi - Pakistan.

## Auditors

A.F. Ferguson & Co., Chartered  
 Accountants, State Life Building No.1-C, I.I  
 Chundrigar Road, Karachi.  
 Share Registrar Department  
 Central Depository Company of Pakistan, CDC,  
 House,  
 99-B, SMCHS, Shahrae Faisal, Karachi.  
 Phone: 92-21-111-111-500

## Legal Advisor

- Mr. Ajmal Awan (Sattar & Sattar Advocates)  
 - Bawaney & Partners

## Bankers

Allied Bank Ltd.  
 Askari Bank Ltd.  
 Bank Alfalah Ltd.  
 Bank Islami Pakistan Ltd.  
 Faysal Bank Ltd.  
 JS Bank Ltd.  
 Habib Metropolitan Bank Ltd.  
 Habib Bank Ltd.  
 MCB Bank Ltd.  
 National Bank of Pakistan  
 NIB Bank Ltd.  
 Pak China Investment Company Ltd.  
 Saudi Pak Ind. & Agr. Inv. Co. Ltd.  
 Silk Bank Ltd.  
 Summit Bank Ltd.  
 Sindh Bank Ltd.  
 Standard Chartered Bank (Pakistan) Ltd.  
 The Bank of Khyber  
 The Bank of Punjab

# Directors' Review Report

**The Directors of Aisha Steel Mills Limited (ASML) present herewith Directors' Review together with condensed interim financial statements (un-audited) of the Company for the first quarter ended September 30, 2015.**

## **Steel Market Review**

The steel prices continued to exhibit declining trend during the first quarter of the current financial year. CRC (Cold Rolled Coil) prices have come down by more than 25% in a short span of three months. It is being dumped into Pakistan from various sources. During the period under review an average monthly quantity of 24,358 tons of CRC was imported under various heads. This was substantially higher than the quantities imported in the previous months. This affected the sales and margins of locally produced CRC.

The Company has filed a petition with the National Tariff Commission of Pakistan (NTC) pleading that an Anti-Dumping Duty of around 36% should be implemented to protect CRC manufacturers in the Country.

## **Operational Review**

During the period under review production has improved to average 15000 metric tons per month from an average of 11000 metric tons in last financial year. Cost efficiencies have also been achieved in conversion of HRC into CRC. Sales in terms of quantity have increased by 14%. However, it declined in value by 14% but was lower than the budgeted due to excessive imports of CRC making Pakistani market a dumping ground. The Company suffered due to declining prices of steel facing inventory losses. The Company also suffered an exchange loss of Rs.71 million due to depreciation of Pak Rupee viz-a-viz US Dollar.

A brief summary of the financial results for the quarter ended September 30, 2015 is as follows:

All figures in PKR Million	Quarter ended September 2015	Quarter ended September 2014
Net Sales	1,874.877	2,182.262
Gross Profit	28.325	105.267
Loss before tax	(364.723)	(428.825)
Loss after tax	(383.343)	(285.287)

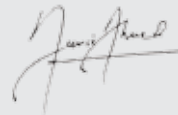
### Future Outlook:

First quarter of current financial year has witnessed improved capacity utilization with average monthly production of 15000 metric tons as compared to 11000 metric tons in last financial year. Additionally, conversion cost of HRC to CRC has been rationalized. It is hoped that NTC (National Tariff Commission) will give its ruling on Anti-Dumping Duty soon. The above factors are expected to help turnaround the Company's financial performance.

### Acknowledgement:

We would like to record our appreciation to all stakeholders for their patronage and look forward towards their continued support.

For and on behalf of the Board



**Dr. Munir Ahmed**  
Chief Executive

Karachi  
October 28, 2015







# Un-audited Financial Statements

Aisha Steel Mills Limited

For the First Quarter ended September 30, 2015

# Balance Sheet

As at September 30, 2015

		(Un-audited) September 30 2015	(Audited) June 30 2015
	Note	Rupees in thousand	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant and equipment	5	9,934,734	9,995,627
Intangible assets		12,651	13,265
Long term loans		3,448	2,958
Long term deposits and prepayments		48,200	47,799
Deferred tax asset	6	1,109,909	1,109,909
		11,108,942	11,169,557
<b>Current assets</b>			
Stores and spares		163,231	163,383
Stock in trade		3,559,116	2,433,458
Trade debts		43,206	76,261
Advances, deposits and prepayments	7	434,534	313,895
Other receivables (including margins against LC & guarantee)		138,655	223,166
Tax refunds due from governments - sales tax		605,245	493,301
Taxation - payments less provision		254,032	331,613
Cash and bank balances		10,748	132,273
		5,208,768	4,167,351
<b>Total assets</b>		<b>16,317,710</b>	<b>15,336,908</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital			
Ordinary shares	8	2,711,087	2,711,087
Cumulative preference shares - I		727,114	727,114
Cumulative preference shares - II		1,719,100	1,719,100
		5,157,301	5,157,301
Accumulated losses		(3,118,024)	(2,737,314)
		2,039,277	2,419,986
Surplus on revaluation of fixed assets		388,177	390,810
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term finance		5,673,815	5,597,137
Liabilities against assets subject to finance lease		6,434	7,181
Staff retirements benefits		22,960	22,960
		5,703,210	5,627,279
<b>Current liabilities</b>			
Bills payables		3,233,319	2,506,025
Trade and other payables		358,821	238,404
Accrued mark-up		125,158	264,857
Short-term borrowings including sponsors' loan	9	4,456,425	3,876,224
Current maturity of long-term loan		10,000	10,000
Current maturity of liabilities against assets subject to finance lease		3,323	3,323
		8,187,046	6,898,833
<b>Total liabilities</b>		13,890,256	12,526,112
<b>Contingencies and commitments</b>	10		
<b>Total equity and liabilities</b>		<b>16,317,710</b>	<b>15,336,908</b>

The annexed notes 1 to 15 form an integral part of these financial statements

  
Chief Executive

  
Director

# Profit and Loss Account

For the Quarter ended September 30, 2015

	Note	(Unaudited) September 30 2015	(Unaudited) September 30 2014
Rupees in thousand			
Sales	11	1,874,877	2,182,262
Cost of Sales		(1,846,553)	(2,076,996)
Gross Profit / (Loss)		<u>28,325</u>	<u>105,267</u>
Selling and distribution expenses		(8,300)	(8,443)
Administrative expenses		(34,296)	(34,216)
Other operating income		<u>668</u>	<u>2,838</u>
(Loss) / Profit from operations		(13,603)	65,445
Finance cost		(351,120)	(494,269)
Loss before taxation		<u>(364,723)</u>	<u>(428,825)</u>
Taxation		(18,620)	143,538
Loss for the period		<u>(383,343)</u>	<u>(285,287)</u>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<u>(383,343)</u>	<u>(285,287)</u>
Rupees			
Basic earnings per share - (loss)	12	<u>(1.66)</u>	<u>(1.14)</u>

The annexed notes 1 to 15 form an integral part of these financial statements

  
Chief Executive

  
Director

# Cash Flow Statement

For the Quarter ended September 30, 2015

	September 30, 2015	September 30, 2014
<b>Rupees in Thousand</b>		
<b>CASH USED IN OPERATING ACTIVITIES</b>		
Loss before taxation	(364,723)	(428,825)
<b>Add / (Less): Adjustment for non-cash and other items</b>		
Depreciation & amortisation	88,101	89,589
Finance lease charges	211	143
Provision for staff retirement benefits	-	1,092
Exchange gain	71,379	120,236
Loss on disposal of fixed assets	-	35
Return on PLS savings deposits	(662)	(2,735)
Interest on loan	267,552	335,481
	<u>426,581</u>	<u>543,841</u>
Profit before working capital changes	61,857	115,016
<b>Effect on cash flow due to working capital changes</b>		
(Increase) / Decrease in current assets		
Stores and spares	152	(42,404)
Stock-in-trade	(1,125,658)	(280,466)
Trade debts - considered good	33,056	166,632
Advances, deposits and prepayments	(120,639)	(24,463)
Other receivables	84,511	363,678
Tax refunds due from governments - sales tax	(111,944)	(65,948)
	<u>(1,240,523)</u>	<u>117,029</u>
Increase/(Decrease) in Current Liabilities		
Trade and Other Payables	780,569	(1,162,849)
Cash used in operations	<u>(398,097)</u>	<u>(930,804)</u>
Markup on loans paid	(330,397)	(128,643)
Income tax refunded	58,962	74,022
Return received on deposits	662	2,735
Decrease / (increase) in long - term employee loans	(490)	90
Decrease / (increase) in long-term deposits and prepayments	(401)	313
Net cash used in operating activities	<u>(669,761)</u>	<u>(982,287)</u>
<b>Cash Flows from Investing Activities</b>		
Capital Expenditure	(31,007)	(88,578)
Intangible Assets	-	(1,034)
Net cash Used in Investing Activities	<u>(31,007)</u>	<u>(89,612)</u>
<b>Cash Flows from Financing Activities</b>		
Decrease in finance lease liability	(958)	(2,530)
Net cash used in financing activities	<u>(958)</u>	<u>(2,530)</u>
Net decrease in cash and cash equivalents	<u>(701,726)</u>	<u>(1,074,429)</u>
Cash and cash equivalents at the beginning of the period	<u>(3,725,652)</u>	<u>(3,255,683)</u>
Cash and cash equivalents at the end of the period	<u><u>(4,427,379)</u></u>	<u><u>(4,330,115)</u></u>

The annexed notes 1 to 15 form an integral part of these financial statements

  
Chief Executive

  
Director

# Statement of Changes in Equity

For the Quarter ended September 30, 2015

	Share Capital ←	Accumulated Loss (Rupees)	Total →
Balance as at July 1, 2014 - Audited	3,438,201	(1,532,979)	1,905,222
Total comprehensive loss			
Loss for quarter ended September 30, 2014		(285,287)	(285,287)
Incremental depreciation - net of deferred tax		2,183	2,183
Balance as at 30 September 2014 - Unaudited	<u>3,438,201</u>	<u>(1,816,082)</u>	<u>1,622,119</u>
Balance as at July 1, 2015 - Audited	<b>5,157,301</b>	<b>(2,737,314)</b>	<b>2,419,986</b>
Total comprehensive loss			
Loss for quarter ended September 30, 2015		<b>(383,343)</b>	<b>(383,343)</b>
Incremental depreciation - net of deferred tax		<b>2,633</b>	<b>2,633</b>
Balance as at 30 September 2015 - Unaudited	<u><b>5,157,301</b></u>	<u><b>(3,118,024)</b></u>	<u><b>2,039,277</b></u>

The annexed notes 1 to 15 form an integral part of these financial statements



Chief Executive



Director

# Notes to and forming part of the Financial Statements

For the Quarter ended September 30, 2015

## 1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on May 30, 2005 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Arif Habib Centre, 23 - M.T.Khan Road, Karachi.

The Company has set up a cold rolling mill complex in the downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi, to carry out its principal business of manufacturing and selling cold rolled steel in coils and sheets. The Company started trial production from July 2012 and declared October 1, 2012 as its Commercial Operations Date.

## 2. BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2015.

## 3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2015, except as described below.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

## 4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2015.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2015.

# Notes to and forming part of the Financial Statements

For the Quarter ended September 30, 2015

## 5. PROPERTY PLANT AND EQUIPMENT

Additions to Property, plant and equipment during the period are as follows:

	Additions (at cost)	
	Un audited September 30, 2015	Audited June 30, 2015
	Rupees in thousand	
Building on leasehold land	-	85,826
Plant and machinery	2,212	56,554
Electrical installations	-	1,000
Office Equipments	318	1,668
Furniture and fittings	-	1,594
<b>Asset Held under Finance Lease</b>		
Motor Vehicles	-	10,482
	<b>2,530</b>	<b>157,124</b>

5.1 No significant disposals were made during the period.

## 6. DEFERRED TAXATION

The Company has an aggregate amount of Rs. 9.1 billion (June 2015: Rs. 9.1 billion) in respect of tax losses as at September 30, 2015. The management carries periodic assessment to assess the benefit of these losses as the company would be able to set off the profit earned in future years against these carry forward losses. Based on the assessment management has recognised deferred tax debit balance on losses amounting to Rs. 2.74 billion (June 2015: Rs. 2.74 billion) including an amount of Rs. 1.75 billion (June 2015: Rs. 1.75 billion) on unabsorbed tax depreciation and initial allowance of Rs. 5.82 billion (June 2015: Rs. 5.82 billion). The amount of this benefit has been determined based on the projected financial statements of the Company for future years. The determination of future taxable profit is most sensitive to certain key assumptions such as capacity utilisation, gross margin percentage, inflation and KIBOR rates. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

## 7. ADVANCES, DEPOSITS AND PREPAYMENTS

This includes Rs 254.78 million in respect of custom duty and sales tax paid by the Company under protest on the basis of assessment by the Collector of Customs. During the year, the Company imported HRC from China under customs SRO 659(I)2007 dated June 30, 2007 and filed goods declaration under HS code 7225.3000, being alloy steel, which is subject to 0% customs duty. However, the Collector of Customs has assessed these imports under HS code 7208.3890, being non-alloy steel, which is subject to 5% customs duty under the said SRO.

The Company, in line with the practice adopted by other importers, has filed petition in the Sindh High Court against Custom Authorities for every import it makes and has obtained an interim order for release of goods by paying 50% of the custom duty to the Collector of Customs and remaining 50% amount to the Nazir of the Sindh High Court through a pay order or by depositing post dated cheques for the same. As at September 30, 2015, post dated cheques deposited with the Nazir of the Sindh High Court amount to Rs. 16.16 million in respect of custom duty and Rs. 2.75 million in respect of sales tax thereon.



# Notes to and forming part of the Financial Statements

For the Quarter ended September 30, 2015

Regulatory duty at the rate of 12.5% and sales tax at the rate of 17% thereon has also been paid to Collector of Customs under protest on the basis of the same assessment, as per S.R.O. 246 (I)/2015 dated March 27, 2015, which is an amendment to the S.R.O.568(I)/2014 dated 26 June 2014. The Company also pays this amount through a pay order.

The Company is confident that they have filed "Goods Declarations" as per the specifications and are exempt from custom duty. As per the lawyer's opinion obtained by the Company, the issue in question is subjudice in the Sindh High Court in a large number of Constitutional Petitions and a judgement in such cases will also be applicable on the Company. Further, as per the lawyer's opinion, there is a strong case and accordingly the Company considers this amount as recoverable.

## 8. SHARE CAPITAL

- 8.1 Dividend in respect of preference shares is only payable when Company has accumulated profits. Therefore, cumulative dividend on preference shares amounting to Rs. 553.76 million (June 30, 2015: 485.69 million) is not accounted for in this condensed interim financial information.

## 9. SHORT TERM BORROWINGS

- 9.1 The lender wise balance of short term loan and running finance facilities obtained by the Company are as follows:

	Un audited September 30, 2015	Audited June 30, 2015
	Rupees in thousand	
Arif Habib Group	1,228,472	250,102
Sindh Bank Limited	488,740	988,312
Habib Metropolitan Bank Limited	84,667	135,646
KASB Bank Limited	24,815	24,815
National Bank Limited	877,098	556,145
Bank Islami Pakistan Limited	550,000	250,000
The Bank of Khyber	-	-
Allied Bank Limited	649,959	649,959
Summit Bank Limited	426,529	881,800
The Bank of Punjab	107,847	121,146
Sponsor's Loan (Mr. Haseeb Rehman)	18,298	18,298
	4,456,425	3,876,224

## 10. CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

- 10.1.1 There has been no change in status of contingencies reported in the financial statements for the year ended June 30, 2015.

### 10.2 Commitments

- 10.2.1 Commitments for capital expenditure outstanding as at September 30, 2015 amounted to Rs 47.30 million (June 2015: Rs 19.53 million).
- 10.2.2 Commitments for rentals under ijarah arrangements amounted to Rs 8.6 million (June 2015: Rs 9.34 million) payable as follows:

# Notes to and forming part of the Financial Statements

For the Quarter ended September 30, 2015

	Un audited September 30, 2015	Audited June 30, 2015
	Rupees in thousand	
Not later than 1 year	3,734	4,041
Later than 1 year but not later than 5 years	<u>4,868</u>	<u>5,300</u>
	<u>8,602</u>	<u>9,341</u>
	Rupees in thousand	
	Un audited September 30, 2015	Un audited September 30, 2014
	Rupees in thousand	
<b>11. SALES</b>		
Gross Sales	2,279,092	2,593,169
Less: Sales tax	(381,365)	(380,729)
Less: Commission	<u>(22,850)</u>	<u>(30,179)</u>
Net Sales	<u>1,874,877</u>	<u>2,182,262</u>
<b>12. EARNINGS PER SHARE</b>		
Loss after tax attributable to ordinary shareholders	(383,343)	(285,287)
Adjustment for cumulative preference share dividend	68,017	24,160
Loss after tax for calculation of basic earnings per share	<u>(813,372)</u>	<u>(309,447)</u>
Weighted average number of ordinary shares outstanding at the end of period		
Ordinary shares in issue (in thousand)	<u>271,133</u>	<u>271,039</u>
	Rupees	
Basic earnings per share - (loss)	<u>(1.66)</u>	<u>(1.14)</u>
<b>12.1</b>	A diluted earnings per share has not been presented as it had anti-dilutive effect on the earnings per share.	

# Notes to and forming part of the Financial Statements

For the Quarter ended September 30, 2015

## 13. TRANSACTION WITH RELATED PARTIES

Disclosure of transactions with related parties during the period were as follows:

Relationship	Nature of transaction	Un audited	Un audited
		September 30, 2015	September 30, 2014
Rupees in thousand			
Associated companies	Purchase of raw material	1,179,400	-
	Re-imbursement of expense receivable	-	1,771
	finance facility utilised	2,027,169	1,067,000
	Repayment of finance facility utilised	1,048,800	250,000
	Markup on finance facility paid	6,983	-
Other related parties	Rented office related payments	668	1,413
	Commission on sales	5,673	6,602
Key management compensation	Salaries and other short-term		
	employee benefits	2,400	2,472
	Post retirement benefits	-	476

## 14. GENERAL

Corresponding figures have been re-arranged and / or reclassified wherever necessary for the purposes of comparison and better presentation.

## 15. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue in the Board of Directors meeting held on October 28, 2015.



Chief Executive



Director





Arif Habib Center 23, M. T. Khan Road, Karachi-74000.  
Tel: (92-21) 32470217 / Fax: (92-21) 32468316